

## **Testimony of Richard E. May Regarding Budget Process Reform Proposals**

### **House Rules Committee Subcommittee on Legislative and Budget Process March 23, 2004**

Madame Chair, Ranking Member Slaughter, and other Members of the Subcommittee, it is truly an honor and a pleasure to lend my ideas, comments, and reactions to the Subcommittee's deliberations of how best to reform the congressional budget process. Productive hearings on this important issue are long overdue and are welcomed by many observers of the budget process. The Subcommittee should be commended for taking the time to review the various legislative proposals that House Members have introduced to improve the way that Congress spends taxpayer money and raises needed revenue.

Although there is no substitute for exhibiting needed leadership to make tough budget decisions, I strongly believe implementing a number of process changes can have a positive impact on the policy decisions that Congress makes in determining the make-up of the federal budget --- provided that such reforms are carefully constructed and do not provide major loopholes that can be exploited easily. Budget process reform, in my view, should try to achieve the following goals:

1. Instill much needed fiscal discipline;
2. Provide a strict and tough enforcement mechanism that cannot be overruled with a simple majority vote;
3. Improve the ability of policymakers to make timely decisions and avoid budget breakdowns;
4. Improve awareness among Leadership, key committees, and rank-and-file members of emerging spending/revenue trends;
5. Educate Members of Congress of the long-term fiscal challenges facing the country due to changing demographics;
6. Improve program accountability --- real program costs should closely mirror program cost estimates; and
7. Recognize that the "balance of power" between the legislative branch and the executive branch may need to be adjusted or modified in order to achieve specific reform proposals.

As I reviewed the five major budget reform proposals (The Enforcing Fiscal Promises Act; The Family Budget Protection Act; The Deficit Control Act; The Macroeconomic Budgeting Act; and the proposals discussed by the Fiscal Year 2005 budget submission) the Subcommittee has been considering, I was pleased to see that nearly all of these proposals tried to address, in some way, the achievement of the seven goals mentioned above. I also was pleased to see that there seemed to be considerable consensus among these proposals to adopt several specific changes and reforms that many "budgeteers" have advocated for a number of years. Specifically, there seems to be wide acceptance of the following:

- Reinstating discretionary spending limits and the sequestration process to enforce these new limits;
- Reinstating Pay-As-You-Go (PAYGO) rules to limit future deficits --- although there is disagreement on how future tax cuts should be addressed;
- Create a commission to propose ways to eliminate waste, fraud, and abuse in federal programs;
- Establish a cap or some limitation on the growth of entitlement spending, although the scope of the cap differs (one proposal only applied it to the new Medicare drug prescription program) and there continues to be exemptions for various politically powerful programs from any enforcement sequestration;
- Define emergency spending and make it difficult for Congress to use "emergency" spending to break the new discretionary spending caps; and

- Create additional awareness of future budget challenges by requiring additional budget information about the long-term problems facing federal policymakers.

Due to Congress' recent inability to adopt any legislation dealing with budget process reform, I found this general consensus encouraging and it appears that these components have the beginning of creating legislation that could gather the necessary 218 votes to pass the House. (I do not underestimate the difficulty inherent in passing any budget process reform legislation given the many points of view this type of legislation creates among the various committees and the overall budget priorities of both political parties.) If Congress only adopted these general consensus items this year, it would be a step in the right direction and would undoubtedly be helpful in restoring badly needed fiscal discipline within the budget process.

However, I believe that Congress can and should do more and I strongly encourage the Subcommittee to give additional consideration to several other reform ideas. These additional ideas include:

- Joint Budget Resolution --- Having the President engaged earlier within the congressional budget process would force both the legislative and executive branches to agree earlier as to overall budget and tax parameters, and should make enacting appropriations bills easier. It also would provide the budget resolution greater legislative weight and would codify budget agreements throughout the remainder of the congressional session. This certainty would hopefully result in a more efficient budget process and create less political brinkmanship at the end of the fiscal year.
- Line-Item Veto --- Although it may need a constitutional amendment to fully implement it, time has come to allow the President to eliminate spending in specific areas without vetoing the entire appropriations bill. At the very least, enhanced rescission authority should be given to the President as a means to eliminate spending that cannot be justified.
- Establish an "Emergency Spending Fund" to give Congress an opportunity to budget more effectively for those yearly requests to spend money for unanticipated needs. Granted, Congress should not make this number so difficult to break that proper funding cannot be provided to address a natural catastrophe or a terrorist attack, but there should be some resources held in reserve so that Congress has at least tried to place some reasonable limit on those inevitable supplemental appropriations bills.
- Reduce the total amount of discretionary spending that the Appropriations Committees are permitted to spend by the total savings created by House/Senate floor amendments that reduce funding for specific programs. There is nothing more disheartening for Members of Congress (and taxpayers) when a successful case has been made that either a program has outlived its usefulness or is duplicating the efforts of another program, yet, no real money has been saved because those savings can be utilized later for another program. If Members agree to reduce spending, and there is no corresponding increase in spending elsewhere in an appropriations bill enacted on the House or Senate floor, those savings should be "banked" to help reduce the budget deficit. This adjustment in the 603 (a) allocation would restore some of the lost confidence that many feel about the current budget process.

While all of these proposals may need to be refined to address specific problems or concerns, they do provide additional tools to both the executive and legislative branches to further limit excessive spending. The bias towards higher government spending is so strong in the federal budget that Congress and the executive branch need all of the tools possible to overcome the

constant demands for more programs and more spending.

There are numerous other budget process reform proposals that have been suggested over the years, and some of these ideas have considerable support. However, I would caution the Subcommittee to be leery of some of those ideas as experience has shown that while they may look and sound inviting, in reality, they may not be very realistic. In my view, the Subcommittee should be hesitant to embrace the following proposals:

- **Sunsetting All Programs Within a Certain Period of Time** --- This idea is a classic case that seems appealing on the surface, but when Congress has trouble reauthorizing current programs on a timely basis, how can the institution conduct massive reauthorizations. The goal of requiring programs to justify themselves is a good one, but wholesale sunseting will not work.
- **Deficit Targets** --- Because deficits/surpluses are so sensitive to overall economic conditions, establishing deficit targets is the "Fools Gold" of deficit reduction and budget process reform. Congress can do everything correct in both fiscal and tax policy in order to meet a specific budget target, but if the economy suddenly takes a downward step such targets could never be met. Besides, Congress tried setting deficit reduction targets with Gramm-Rudman-Hollings, and they never worked.
- **Biennial Budgeting** --- Another idea that sounds great, but on closer examination, its pitfalls outweigh any possible advantages. Requiring Congress to address budget/tax issues only every two years will not make the budgetary decisions any better, in fact, they could be worse and more chaotic. The nation's economic fundamentals have become so fluid and dynamic that two years is now almost an economic lifetime, and there can be tremendous changes taking place within a two-year period. Congress needs to readdress budget/economic decisions every year and biennial budgeting would likely never be fully implemented because Congress would be forced to make constant adjustments and recalculations.

I hope my comments and suggestions prove helpful as the Subcommittee continues its discussions on budget process reform. Budget process reform is needed and what better time than now to renew the effort to control excessive spending and bring the budget back into surplus. Madame Chair, thank you for this opportunity and I look forward to providing any additional assistance the Subcommittee may request.